

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Sheridan Charter Township</b>	County <b>Newaygo</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>6/5/06</b>	Date Accountant Report Submitted to State: <b>6/18/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

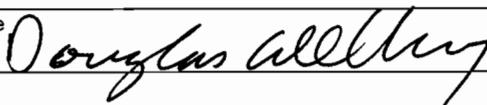
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes  No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes  No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes  No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes  No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes  No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes  No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes  No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes  No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes  No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Douglas Wohlberg, CPA</b>			
Street Address <b>PO Box 1013</b>	City <b>Byron Center</b>	State <b>MI</b>	ZIP <b>49315</b>
Accountant Signature 		Date <b>6/18/06</b>	

# **Sheridan Charter Township**

**Newaygo County, Michigan**

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended December 31, 2005**

# Sheridan Charter Township

Newaygo County, Michigan

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December 31, 2005

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# DOUGLAS WOHLBERG

*Certified Public Accountant*

To the Township Board  
Sheridan Charter Township  
Newaygo County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of Sheridan Charter Township as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sheridan Charter Township management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sheridan Charter Township as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheridan Charter Township basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan  
June 5, 2006

# SHERIDAN CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

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### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's combined net assets increased 6% from a year ago, increasing from \$1,295,749 to \$1,369,548. The Township experienced increases in General Fund Charges for Services and a significant decrease in the Department of Public Works. The Sewer Fund experienced increases in revenues as a result of an increase in fees and larger expenses because of an increase in depreciation expense.

The Township is jointly working with Dayton Township and the City of Fremont on a bike path that will eventually encircle Fremont Lake connecting all three entities.

In a condensed format, the table below shows a comparison of the net assets as of December 31, 2005 to the prior year:

	2005	2004
Current assets	\$ 702,760	\$ 273,375
Noncurrent assets	1,279,459	1,099,603
<b>Total assets</b>	<b>1,982,219</b>	<b>1,372,978</b>
Long-term debt outstanding	455,000	37,000
Other liabilities	157,671	40,229
<b>Total liabilities</b>	<b>612,671</b>	<b>77,229</b>
Net assets		
Invested in capital assets - net of debt	779,511	1,054,603
Unrestricted	590,037	241,146
<b>Total net assets</b>	<b>\$ 1,369,548</b>	<b>\$ 1,295,749</b>

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$348,891 for the governmental activities. This represents an increase in net assets of approximately 145%. The current level of unrestricted net assets for our governmental activities stands at \$334,929, or about 162% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

# SHERIDAN CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

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The following table shows the changes of the net assets as of December 31, 2005 to the prior year:

	2005	2004
<b><u>Program revenues</u></b>		
Charges for services	\$ 107,562	\$ 90,792
<b><u>General Revenue</u></b>		
Property tax	60,288	56,630
State shared revenue	166,180	162,041
Investment income	2,585	2,025
Rents and contracts	6,766	5,300
Miscellaneous	17,209	31,123
<b>Total Revenues</b>	<b>360,590</b>	<b>347,911</b>
<b><u>Program expenses</u></b>		
General government	90,916	104,997
Public safety	51,094	52,708
Public works	26,534	62,265
Community and economic development	33,922	23,440
Recreation and culture	4,095	16,804
Sewer	80,230	74,075
<b>Total expenses</b>	<b>286,791</b>	<b>334,289</b>
<b>Change in net assets</b>	<b>\$ 73,799</b>	<b>\$ 13,622</b>

### Governmental Activities

Expenses decreased by \$47,498 during the year. This resulted from significantly less road improvement from the prior year.

### The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005 were the General Fund and the Sewer Fund.

### Capital Asset and Debt Administration

At the end of 2005, the Township had \$1,249,511 invested in a various assets including the Township hall and the sewer system.

# **SHERIDAN CHARTER TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2005

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### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2006 will change from its 2005 budget because the Township expects to continue making significant upgrades to its sewer system. The Township has bonded to obtain financing for the project.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor, Clerk or Treasurer. The Township's phone number is (231) 924-4566.

## **BASIC FINANCIAL STATEMENTS**

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# Sheridan Charter Township

Newaygo County, Michigan

## Balance Sheet

For the year ended December 31, 2005

	Governmental activities	Business type activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 254,931	\$ 350,238	\$ 605,169
Receivables (net)	80,998	16,593	97,591
Discount on long-term debt	-	8,209	8,209
Unamortized debt issuance costs	-	21,739	21,739
Capital assets - net	171,497	1,078,014	1,249,511
<b>TOTAL ASSETS</b>	<b>\$ 507,426</b>	<b>\$ 1,474,793</b>	<b>\$ 1,982,219</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 141,671	\$ 141,671
Accrued and other liabilities	1,000	-	1,000
Due within one year	-	15,000	15,000
Due in more than one year	-	455,000	455,000
<b>TOTAL LIABILITIES</b>	<b>1,000</b>	<b>611,671</b>	<b>612,671</b>
<b>NET ASSETS</b>			
Invested in capital assets	171,497	608,014	779,511
Unrestricted	334,929	255,108	590,037
<b>TOTAL NET ASSETS</b>	<b>506,426</b>	<b>863,122</b>	<b>1,369,548</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 507,426</b>	<b>\$ 1,474,793</b>	<b>\$ 1,982,219</b>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

## Statement of Activities

For the year ended December 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for services</u>	<u>Governmental activities</u>
<u>Primary government</u>			
<u>Government activities</u>			
General government	\$ 90,916	\$ 44,202	\$ (46,714)
Public safety	51,094	-	(51,094)
Public works	26,534	-	(26,534)
Community and economic development	33,922	-	(33,922)
Recreation and culture	4,095	-	(4,095)
<b>Total Governmental activities</b>	<b>206,561</b>	<b>44,202</b>	<b>(162,359)</b>
<u>Business activities</u>			
Sewer	80,230	63,360	
<b>Total Primary government</b>	<b>286,791</b>	<b>107,562</b>	<b>(162,359)</b>
<u>General Revenues</u>			
Property taxes			60,288
State-shared revenue			166,180
Unrestricted investment income			1,549
Rent and contracts			6,766
Miscellaneous			17,209
<b>Total general revenues - special items and transfers</b>			<b>251,992</b>
<b>Change in net assets</b>			<b>89,633</b>
<b>Net assets at beginning of year</b>			<b>416,793</b>
<b>Net assets at end of year</b>		<b>\$</b>	<b>506,426</b>

The Notes to the Financial Statements are an integral part of this statement.

<b>Business-type activities</b>		<b>Total</b>
\$	\$	(46,714)
		(51,094)
		(26,534)
		(33,922)
		(4,095)
		<u>(162,359)</u>
	(16,870)	(16,870)
	(16,870)	(179,229)
	-	60,288
	-	166,180
	1,036	2,585
	-	6,766
	-	17,209
	1,036	<u>253,028</u>
	(15,834)	<u>73,799</u>
	878,956	<u>1,295,749</u>
\$	863,122 \$	<u>1,369,548</u>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

Governmental Funds

Balance Sheet

December 31, 2005

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	General Fund (Major Fund)
<b><u>ASSETS</u></b>	
Cash	\$ 254,931
Taxes receivable	79,005
Special assessments receivable	1,993
<b>TOTAL ASSETS</b>	<b>\$ 335,929</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
<b>LIABILITIES</b>	
Customers deposits payable	\$ 1,000
<b>FUND BALANCES</b>	
Fund balance	334,929
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 335,929</b>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

## Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended December 31, 2005

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Total fund balances - total governmental funds	\$	334,929
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	261,953
Accumulated depreciation	(90,456)

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Net capital assets	171,497
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at December 31, 2005 were:

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Net assets of governmental activities	\$	506,426
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The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended December 31, 2005

	General Fund (Major Fund)
<b>REVENUE</b>	
Property Taxes	\$ 80,702
State Grants	166,180
Licenses and Permits	3,605
Charges for Services	20,183
Interest and Rentals	8,315
Other Revenue	17,208
<b>TOTAL REVENUE</b>	<b>296,193</b>
<b>EXPENDITURES</b>	
General government	78,745
Public safety	51,094
Department of public works	26,533
Community and economic development	33,922
Recreation and culture	21,805
Other governmental functions	7,078
<b>TOTAL EXPENDITURES</b>	<b>219,177</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>77,016</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Prior period adjustment	481
<b>NET CHANGE IN FUND BALANCES</b>	<b>77,497</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>257,432</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 334,929</b>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended December 31, 2005

Net change in fund balances - total governmental funds	\$	77,497
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		18,975
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(6,839)
<b>Change in net assets of government activities</b>	<b>\$</b>	<b>89,633</b>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

Sewer Fund

Statement of Net Assets

December 31, 2005

	2005	2004
<b>ASSETS</b>		
Current assets		
Cash	\$ 340,469	\$ 37,881
Accounts receivable	16,593	17,419
<b>Total Current assets</b>	<b>357,062</b>	<b>55,300</b>
Noncurrent assets		
Cash	9,769	25,282
Discount on long-term debt	8,209	-
Unamortized debt issuance costs	21,739	-
<b>Total Cash</b>	<b>39,717</b>	<b>25,282</b>
<b>Capital assets</b>	<b>1,078,014</b>	<b>940,242</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,474,793</b>	<b>\$ 1,020,824</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 141,671	\$ 16,868
Due to other funds	-	80,000
<b>Total Current liabilities</b>	<b>141,671</b>	<b>96,868</b>
Long-term liabilities		
Bonds payable	470,000	45,000
<b>TOTAL LIABILITIES</b>	<b>611,671</b>	<b>141,868</b>
<b>NET ASSETS</b>		
Invested in capital assets - net of related debt	608,014	895,242
Unrestricted	255,108	(16,286)
<b>TOTAL NET ASSETS</b>	<b>863,122</b>	<b>878,956</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,474,793</b>	<b>\$ 1,020,824</b>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

Sewer Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended December 31, 2005 with comparative actual amounts for 2004

	2005	2004
<u>Operating revenue</u>		
Services rendered	\$ 63,360	\$ 51,535
<u>OPERATING EXPENSES</u>		
Salaries	1,330	1,330
Payroll taxes	102	102
Supplies	222	71
Contractual services	42,387	26,501
Utilities	822	1,073
Repairs	1,315	10,133
Depreciation	32,215	32,215
<u>TOTAL OPERATING EXPENSES</u>	<u>78,393</u>	<u>71,425</u>
<u>OPERATING INCOME</u>	<u>(15,033)</u>	<u>(19,890)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest on investments	1,036	618
Interest expense	(1,837)	(2,650)
<u>TOTAL NONOPERATING REVENUES (EXPENSES)</u>	<u>(801)</u>	<u>(2,032)</u>
<u>CHANGE IN NET ASSETS</u>	<u>(15,834)</u>	<u>(21,922)</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>878,956</u>	<u>900,878</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 863,122</u>	<u>\$ 878,956</u>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

Sewer Fund

## Statement of Cash Flows

For the year ended December 31, 2005

	2005	2004
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers	\$ 64,186	\$ 44,003
Payments to suppliers	(44,746)	(26,361)
Payments to employees	(1,432)	(1,432)
Due from other funds	(80,000)	80,000
<b>Net cash provided (used) by operating activities</b>	<b>(61,992)</b>	<b>96,210</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Proceeds from capital debt	440,052	-
Purchase of capital assets	(45,184)	(122,053)
Principal and interest paid on capital debt	(46,837)	(10,650)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>348,031</b>	<b>(132,703)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest and dividends	1,036	618
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>287,075</b>	<b>(35,875)</b>
<b>Balances - beginning of year</b>	<b>63,163</b>	<b>99,038</b>
<b>Balances - end of year</b>	<b>\$ 350,238</b>	<b>\$ 63,163</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u></b>		
Operating income (loss)	\$ (15,033)	\$ (19,890)
Provided (used) by operating activities		
Depreciation	32,215	32,215
Change in net assets and liabilities		
Receivables - net	826	(7,532)
Accounts and other payables	-	11,417
Due to other funds	(80,000)	80,000
<b>Net cash provided by operating activities</b>	<b>\$ (61,992)</b>	<b>\$ 96,210</b>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

Fiduciary Funds

Statement of Net Assets

For the year ended December 31, 2005

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	<u>Agency Fund Type</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 66,641
<b><u>LIABILITIES</u></b>	
Undistributed taxes	\$ 66,641

The Notes to the Financial Statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

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# Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2005

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Sheridan Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Sheridan Charter Township:

### **A. Reporting Entity**

Sheridan Charter Township is governed by an elected seven-member Board. The accompanying financial statements present the activities of the Township. There are no component units to be included in these financial statements in accordance with accounting principles generally accepted in the United States.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2005

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## C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Sheridan Charter Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Sheridan Charter Township as of the preceding December 31st.

Although Sheridan Charter Township's 2005 ad valorem tax is levied and collectible on December 1, 2005, it is Sheridan Charter Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of Sheridan Charter Township totaled \$64,044,084, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	\$ 0.9154	\$ 58,626

These amounts are recognized in the General Fund financial statements as taxes receivable-current.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The Sewer Fund account for the activities of the sewage collection system.

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Basic Financial Statements

For the year ended December 31, 2005

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Additionally, the government reports the following fund type:

Trust and agency funds to account for property tax collected on behalf of other units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **D. Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments--**Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables--**In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Basic Financial Statements

For the year ended December 31, 2005

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**Inventories and Prepaid Items**--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

**Long-Term Obligations**--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications**--Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# **Sheridan Charter Township**

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2005

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## **NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.**

**The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:**

**On or before September 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.**

**A public hearing is conducted at the Township hall to obtain taxpayer comments.**

**On or before November 1, the budget is adopted by resolution.**

**The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the Township Board.**

**Budgeted amounts are presented as originally adopted, or as amended by the Township Board before December 31. Individual amendments were not material in relation to the original appropriations which were amended.**

**Budgets as presented for the general and debt service funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.**

**Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.**

**The Township legally adopts budgets for the General Fund.**

**Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.**

**The legal level of control is at the activity level of the General Fund.**

**The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.**

**The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.**

**Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.**

# Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2005

## NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Sheridan Charter Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At the year end, the Township had \$486,791 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## NOTE 4 - RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sewer Fund	Total
Taxes receivable	\$ 58,601	\$ -	\$ 58,601
Tax administration fee	20,404	-	20,404
Special assessment	1,993	-	1,993
Accounts	-	16,593	16,593
Net Receivables	\$ 80,998	\$ 16,593	\$ 97,591

# Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2005

## NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance December 31, 2005</b>
Assets not being depreciated	\$ 20,000	\$	\$	\$ 20,000
Capital assets being depreciated:				
Buildings	222,978			222,978
Land improvements		18,975		18,975
<b>Subtotal</b>	<b>222,978</b>	<b>18,975</b>		<b>241,953</b>
Accumulated depreciation:				
Buildings	83,617	5,574		89,191
Land improvements		1,265		1,265
<b>Subtotal</b>	<b>83,617</b>	<b>6,839</b>		<b>90,456</b>
<b>Net capital assets being depreciated</b>	<b>139,361</b>	<b>12,136</b>		<b>151,497</b>
<b>Net capital assets</b>	<b>\$ 159,361</b>	<b>\$ 12,136</b>	<b>\$</b>	<b>\$ 171,497</b>
<b>Business-Type Activities</b>	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance December 31, 2005</b>
Capital assets being depreciated:				
Mains	\$ 1,536,697	\$ 169,987	\$	\$ 1,706,684
Accumulated depreciation:				
Mains	596,455	32,215		628,670
<b>Net capital assets</b>	<b>\$ 940,242</b>	<b>\$ 137,772</b>	<b>\$</b>	<b>\$ 1,078,014</b>

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Basic Financial Statements

For the year ended December 31, 2005

Depreciation expense was charged to programs of the primary government as follows:

**Governmental activities:**

General government	\$	5,574
Recreation		1,265
<b>Total governmental activities</b>	<b>\$</b>	<b>6,839</b>

**Business-Type activities:**

Sewer	\$	32,215
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### NOTE 6 - LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Balance				Balance		Amount Due
	January 1, 2005	Additions	Reductions	December 31, 2005	Within One Year		
<b>Sewer System Bonds</b>	<b>\$ 45,000</b>	<b>\$ 470,000</b>	<b>\$ 45,000</b>	<b>\$ 470,000</b>	<b>\$</b>	<b>15,000</b>	

Annual debt service requirements to maturity for the above obligations are as follows:

December 31,	Principal	Interest	Total
2006	\$ 15,000	\$ 18,485	\$ 33,485
2007	15,000	18,636	33,636
2008	20,000	18,148	38,148
2009	20,000	17,498	37,498
2010	20,000	16,848	36,848
2011	20,000	16,148	36,148
2012	20,000	15,428	35,428
2013	20,000	14,688	34,688
2014	20,000	13,928	33,928
2015	20,000	13,148	33,148
2016	25,000	12,348	37,348
2017	25,000	11,322	36,322
2018	25,000	10,272	35,272
2019	25,000	9,198	34,198
2020	25,000	8,110	33,110
2021	30,000	7,010	37,010
2022	30,000	5,676	35,676
2023	30,000	4,326	34,326
2024	30,000	2,976	32,976
2025	35,000	1,610	36,610
<b>Totals</b>	<b>\$ 470,000</b>	<b>\$ 235,803</b>	<b>\$ 705,803</b>

# Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2005

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## **NOTE 7 - SEGMENT INFORMATION**

The Township operates a fund to provide sewage services. Summary financial information for the sewer department is presented below:

### Condensed Statement of Net Assets

	<b>Sewer Fund</b>
<b>Assets</b>	
Current assets	\$ 357,062
Restricted assets	9,769
Discount on long-term debt	8,209
Unamortized debt issuance cost	21,739
<b>Capital assets</b>	<b>1,078,014</b>
<b>Total Assets</b>	<b>1,474,793</b>
<b>Liabilities</b>	
Current liabilities	141,671
Noncurrent liabilities	470,000
<b>Total Liabilities</b>	<b>611,671</b>
<b>Net Assets</b>	
Invested in capital assets	608,014
Unrestricted	255,108
<b>Total Net Assets</b>	<b>\$ 863,122</b>

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Basic Financial Statements

For the year ended December 31, 2005

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### Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund
Sewer Charges	\$ 63,360
Depreciation	32,215
Other operating expenses	46,178
Operating income	(15,033)
Nonoperating revenue (expense)	
Investment earnings	1,036
Interest expense	(1,837)
Total nonoperating revenue and expenses	(801)
Changes in net assets	(15,834)
Beginning net assets	878,956
Ending net assets	\$ 863,122

### Condensed Statement of Cash Flows

	Sewer Fund
Net cash provided by (used in)	
Operating activities	\$ (61,992)
Capital and related financing activities	348,031
Investing activities	1,036
Net increase (decrease) in cash	287,075
Beginning cash and cash equivalents	63,163
Ending cash and cash equivalents	\$ 350,238

# Sheridan Charter Township

Newaygo County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2005

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## **NOTE 8 - RESTRICTED ASSETS**

The balances of the restricted asset accounts in the enterprise funds are as follows:

Bond reserve	\$	9,769
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## **NOTE 9 - RISK MANAGEMENT**

Sheridan Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). Sheridan Charter Township has purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS**

The Township has no post-retirement benefit plans.

## REQUIRED SUPPLEMENTAL INFORMATION

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# Sheridan Charter Township

Newaygo County, Michigan

General Fund

Balance Sheet

December 31, 2005 and 2004

	2005	2004
<b>ASSETS</b>		
Cash	\$ 254,931	\$ 113,980
Taxes receivable	79,005	76,894
Due from other funds	-	80,000
Special assessments receivable	1,993	1,919
<b>TOTAL ASSETS</b>	<b>\$ 335,929</b>	<b>\$ 272,793</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 3,011
Customers deposits payable	1,000	3,750
Due to other units of government	-	8,600
<b>TOTAL LIABILITIES</b>	<b>1,000</b>	<b>15,361</b>
<b>FUND BALANCES</b>		
Fund balance	334,929	257,432
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 335,929</b>	<b>\$ 272,793</b>

# Sheridan Charter Township

Newaygo County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended December 31, 2005

	Original budget	Original and Final budget	Actual	Variance with final budget	2004
<b>REVENUES</b>					
<b>Property Taxes</b>					
Current property taxes	\$ 56,777	\$ 56,777	\$ 60,288	\$ 3,511	\$ 56,630
Property tax administration fee	20,376	20,376	20,414	38	22,873
<b>Total Property Taxes</b>	<b>77,153</b>	<b>77,153</b>	<b>80,702</b>	<b>3,549</b>	<b>79,503</b>
<b>State Grants</b>					
State revenue sharing	166,586	166,586	166,180	(406)	162,041
<b>Licenses and Permits</b>					
Non-business licenses and permits	4,000	4,000	3,605	(395)	3,995
<b>Charges for Services</b>					
Charges for services	3,000	3,000	15,640	12,640	1,699
Sales	200	200	4,543	4,343	10,690
<b>Total Charges for Services</b>	<b>3,200</b>	<b>3,200</b>	<b>20,183</b>	<b>16,983</b>	<b>12,389</b>
<b>Interest and Rentals</b>					
Interest on investments	2,000	2,000	1,549	(451)	1,407
Rent	3,500	3,500	6,766	3,266	5,300
<b>Total Interest and Rentals</b>	<b>5,500</b>	<b>5,500</b>	<b>8,315</b>	<b>2,815</b>	<b>6,707</b>
<b>Other Revenue</b>					
Special assessments	1,905	1,905	1,979	74	1,916
Contributions and donations	-	-	-	-	15,007
Reimbursements	5,500	5,500	14,554	9,054	14,200
Sale of fixed assets	-	-	575	575	-
Refunds	-	-	100	100	-
<b>Total Other Revenue</b>	<b>7,405</b>	<b>7,405</b>	<b>17,208</b>	<b>9,803</b>	<b>31,123</b>
<b>TOTAL REVENUES</b>	<b>263,844</b>	<b>263,844</b>	<b>296,193</b>	<b>32,349</b>	<b>295,758</b>

# Sheridan Charter Township

Newaygo County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended December 31, 2005

	Original budget	Original and Final budget	Actual	Variance with final budget	2004
<b>EXPENDITURES</b>					
<b>General government</b>					
Township board	\$ 19,090	\$ 16,090	\$ 7,692	\$ 8,398	\$ 12,862
Supervisor	11,280	11,280	10,856	424	10,757
Clerk	14,770	14,770	13,116	1,654	13,626
Information technology	3,500	3,500	1,347	2,153	1,000
Board of review	1,360	1,110	1,049	61	1,052
Treasurer	17,250	20,150	12,628	7,522	16,195
Assessor	17,650	17,650	17,574	76	17,549
Elections	400	400	1,163	(763)	4,126
Buildings and grounds	20,000	14,000	12,770	1,230	13,953
Cemetery	600	600	550	50	550
<b>Total General government</b>	<b>105,900</b>	<b>99,550</b>	<b>78,745</b>	<b>20,805</b>	<b>91,670</b>
<b>Public Safety</b>					
Fire department	55,000	51,100	51,094	6	52,708
<b>Department of public works</b>					
Drains	3,011	3,011	-	3,011	8,205
Highway, streets and bridges	40,000	27,900	24,391	3,509	50,744
Street lighting	3,050	3,050	2,142	908	2,397
Sanitation	2,000	-	-	-	919
<b>Total Department of public works</b>	<b>48,061</b>	<b>33,961</b>	<b>26,533</b>	<b>7,428</b>	<b>62,265</b>
<b>Community and economic development</b>					
Planning	39,356	36,856	33,922	2,934	23,440
<b>Recreation and culture</b>					
Parks and recreation department	6,500	23,500	21,805	1,695	16,804
<b>Other governmental functions</b>					
Insurance	7,500	7,500	7,078	422	7,193
Tax tribunal refunds	500	500	-	500	-
<b>Total Other governmental functions</b>	<b>8,000</b>	<b>8,000</b>	<b>7,078</b>	<b>922</b>	<b>7,193</b>

# Sheridan Charter Township

Newaygo County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended December 31, 2005

	Original budget	Original and Final budget	Actual	Variance with final budget	2004
<b>TOTAL EXPENDITURES</b>	<b>\$ 262,817</b>	<b>\$ 252,967</b>	<b>\$ 219,177</b>	<b>\$ 33,790</b>	<b>\$ 254,080</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,027</b>	<b>10,877</b>	<b>77,016</b>	<b>66,139</b>	<b>41,678</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Prior period adjustment	-	-	481	481	(560)
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,027</b>	<b>10,877</b>	<b>77,497</b>	<b>66,620</b>	<b>41,118</b>
<b>Fund balance at beginning of year</b>	<b>257,432</b>	<b>257,432</b>	<b>257,432</b>	<b>-</b>	<b>216,314</b>
<b>Fund balance at end of year</b>	<b>\$ 258,459</b>	<b>\$ 268,309</b>	<b>\$ 334,929</b>	<b>\$ 66,620</b>	<b>\$ 257,432</b>

## **LONG-TERM DEBT SCHEDULES**

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# Sheridan Charter Township

Newaygo County, Michigan

Schedule of Bonded Debt

\$470,000 Sanitary Sewer - Limited Tax General Obligation Bonds

December 31, 2005

Year ended December 31,	Interest Rate	October 1 Principal	April 1 Interest	October 1 Interest	Total
2006	3.250%	\$ 15,000	\$ 8,924	\$ 9,561	\$ 33,485
2007	3.250%	15,000	9,318	9,318	33,636
2008	3.250%	20,000	9,074	9,074	38,148
2009	3.250%	20,000	8,749	8,749	37,498
2010	3.500%	20,000	8,424	8,424	36,848
2011	3.600%	20,000	8,074	8,074	36,148
2012	3.700%	20,000	7,714	7,714	35,428
2013	3.800%	20,000	7,344	7,344	34,688
2014	3.900%	20,000	6,964	6,964	33,928
2015	4.000%	20,000	6,574	6,574	33,148
2016	4.100%	25,000	6,174	6,174	37,348
2017	4.200%	25,000	5,661	5,661	36,322
2018	4.300%	25,000	5,136	5,136	35,272
2019	4.350%	25,000	4,599	4,599	34,198
2020	4.400%	25,000	4,055	4,055	33,110
2021	4.450%	30,000	3,505	3,505	37,010
2022	4.500%	30,000	2,838	2,838	35,676
2023	4.500%	30,000	2,163	2,163	34,326
2024	4.550%	30,000	1,488	1,488	32,976
2025	4.600%	35,000	805	805	36,610
<b>Totals</b>		<b>\$ 470,000</b>	<b>\$ 117,583</b>	<b>\$ 118,220</b>	<b>\$ 705,803</b>

**AUDITORS' REPORTS**

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## COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Township Board  
Sheridan Charter Township  
Newaygo County, Michigan

We have audited the general purpose financial statements of Sheridan Charter Township, Newaygo County, Michigan for the year ended December 31, 2005, and have issued our report thereon dated June 5, 2006. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 13, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Sheridan Charter Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Sheridan Charter Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sheridan Charter Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2005. We noted no transactions entered into by Sheridan Charter Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Sheridan Charter Township and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg CPA  
Byron Center, Michigan  
June 5, 2006

## MANAGEMENT COMMENTS LETTER

To the Township Board  
Sheridan Charter Township  
Newaygo County, Michigan

In planning and performing our audit of the financial statements of Sheridan Charter Township for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Sheridan Charter Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Township Board, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2005 financial statements, and this report does not affect our report on those financial statements dated June 5, 2006. We have not considered the internal control since the date of our report.



Douglas Wohlberg CPA  
Byron Center, Michigan  
June 5, 2006

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board  
Sheridan Charter Township  
Newaygo County, Michigan

We have audited the general purpose financial statements of Sheridan Charter Township, Newaygo County, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated June 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Sheridan Charter Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sheridan Charter Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg CPA  
Byron Center, Michigan  
June 5, 2006